

Northern Kentucky Water District

August 10, 2004

Beth O'Donnell
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

RECEIVED

AUG 10 2004

PUBLIC SERVICE
COMMISSION

Re: Case 2003-00224

Dear Ms. O'Donnell:

I have reviewed the Commission's order denying rehearing on Case No. 2003-0224 in regards to variable cost of water sold to two former wholesale customers during the test year. The District believes that the order fails to adequately address the issue raised by the District. In our rehearing petition, the District discussed the Commission's failure to consider the revised cost of water production. That issue was raised by the Attorney General in his examination of the District's Vice President of Finance, Mr. Barrow. Because the issue was presented to the District, it had to respond. The response to the Attorney General was to provide the most current information the District had available. That information was derived from the updated test year data relied on by the District and subsequently by the Commission in its final order.

Had the District not been prepared to address this question by the Attorney General, the record in the case would have been incomplete. Yet, because the District anticipated an issue that was to be raised, it has been penalized. It is difficult to understand why this information, specifically requested at the hearing, is not appropriate for use in setting the District's rates.

Additionally, when the information was provided at the hearing, there was no objection by the Attorney General or the Staff. This information was made available just as similarly updated information was also made available during the questioning of the District's witnesses. In fact, the Staff attorney stated that if the District had not provided the information, the Staff would have asked for it. Please refer to Transcript of Evidence in this case, page 35, line 21 and 22. It seems clear that this information was not a surprise to anyone, was relevant to an issue raised by the Attorney General, and consequently should not have been summarily rejected.

The issue was initially raised by the Attorney General's question on page 31 of the Transcript, which asked about the District's treatment of variable costs associated with Boone and Florence. (Transcript, page 31, lines 17-19). In response to that inquiry, the District explained the adjustment and provided the current relevant calculation of that variable cost. Please refer to page 31, beginning with line 17 and proceeding through page 36 of the transcript of record of the hearing. In reading these pages, it is apparent that the hearing officer even asked if any party of record had a problem with the new

Northern Kentucky Water District

August 10, 2004

Beth O'Donnell
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

RECEIVED

AUG 10 2004

PUBLIC SERVICE
COMMISSION

Re: Case 2003-00224

Dear Ms. O'Donnell:

I have reviewed the Commission's order denying rehearing on Case No. 2003-0224 in regards to variable cost of water sold to two former wholesale customers during the test year. The District believes that the order fails to adequately address the issue raised by the District. In our rehearing petition, the District discussed the Commission's failure to consider the revised cost of water production. That issue was raised by the Attorney General in his examination of the District's Vice President of Finance, Mr. Barrow. Because the issue was presented to the District, it had to respond. The response to the Attorney General was to provide the most current information the District had available. That information was derived from the updated test year data relied on by the District and subsequently by the Commission in its final order.

Had the District not been prepared to address this question by the Attorney General, the record in the case would have been incomplete. Yet, because the District anticipated an issue that was to be raised, it has been penalized. It is difficult to understand why this information, specifically requested at the hearing, is not appropriate for use in setting the District's rates.

Additionally, when the information was provided at the hearing, there was no objection by the Attorney General or the Staff. This information was made available just as similarly updated information was also made available during the questioning of the District's witnesses. In fact, the Staff attorney stated that if the District had not provided the information, the Staff would have asked for it. Please refer to Transcript of Evidence in this case, page 35, line 21 and 22. It seems clear that this information was not a surprise to anyone, was relevant to an issue raised by the Attorney General, and consequently should not have been summarily rejected.

The issue was initially raised by the Attorney General's question on page 31 of the Transcript, which asked about the District's treatment of variable costs associated with Boone and Florence. (Transcript, page 31, lines 17-19). In response to that inquiry, the District explained the adjustment and provided the current relevant calculation of that variable cost. Please refer to page 31, beginning with line 17 and proceeding through page 36 of the transcript of record of the hearing. In reading these pages, it is apparent that the hearing officer even asked if any party of record had a problem with the new

information being made a part of the record, which had also been supplied to the AG during the week prior to the hearing. The Commission and the Attorney General at this time could have objected to the new information being made a part of the record. There was certainly a considerable amount of time from the date of the hearing until the order was issued for the Commission to review the updated information. The hearing was held on February 10, 2004, and the order was not issued until June 14, 2004. In my thirty plus years with the District, I can not remember a rate case where the most current information was not supplied at the hearing or where the Commission staff did not request any additional or updated information to be supplied after the hearing.

There was other updated information that was supplied both at the hearing and after the hearing at staff's request, and that information was used in the final order. The information supplied was updated cost of salary increases, benefits, workers comp, auto insurance, etc.

Based on the Commission order denying the use of this updated information on variable cost, is the Commission stating that the introduction of updated/new data and/or reports are no longer allowed to be submitted or requested at the time of the hearing? Or after the hearing has taken place? The District would like clarification on this topic. Is the Commission setting a new guideline on filing most current information at the hearing or after the hearing? Commission guidance would greatly be appreciated.

This may seem to be a small issue to the Commission, but the loss of necessary revenue to the District is a critical matter, particularly its relationship to the debt service coverage ratio as required by the District's General Bond Resolution.

. Thank you for your attention and I look forward to working with you and your staff to attempt to resolve this problem and similar problems that may arise in the future.

Very truly yours,



Ronald J. Barrow, M.P.A.
Vice-President, Finance

NORTHERN KENTUCKY WATER DISTRICT

FOR NKWD Area Served

PSC No. 2

Sheet No. 11

Canceling PSC No. 2

Canceling Sheet No. 11

SECTION II – RETAIL WATER RATES**Service Areas****1. Monthly Service Rate**

First	1,500 cubic feet	\$2.63 per 100 cubic feet
Next	163,500 cubic feet	\$2.23 per 100 cubic feet
Over	165,000 cubic feet	\$2.08 per 100 cubic feet

Customers in Sub district A shall be assessed a monthly surcharge in the amount of \$12.02

Customers in Sub district B shall be assessed a monthly surcharge in the amount of \$19.98

Customers in Sub district C shall be assessed a monthly surcharge in the amount of \$22.33

Customer in Sub district D shall be assessed a monthly surcharge in the amount of \$30.00

Customers in Sub district E shall be assessed a monthly surcharge in the amount of \$30.00

- Bromley Crs. Spgs/St. Johns, Whitaker/McDonald, Fiskburg Road (KY 17 to 1.2mi),

- Oliver Road – McCullum to Harris. Phase 2; KY 177, Bethel Grove, Brandy Lane,

- Vise's Train, Licking Sta. Road. Phase 3; KY 177, Kenton Station (Rector to KY 177)

- And Ishmael Road (KY 177 to 1000ft).

Customers in Sub district R shall be assessed a monthly surcharge in the amount of \$18.89

Customers in Sub district RF shall be assessed a monthly surcharge in the amount of \$30.00

- KY 177 to Decoursey, Porter Road, Tecumseh Lane, and Short Marshall.

Customers in Sub district RL shall be assessed a monthly surcharge in the amount of \$37.50

2. Quarterly Rates

First	4,500 cubic feet	\$2.63 per 100 cubic feet
Next	490,500 cubic feet	\$2.23 per 100 cubic feet
Next	495,000 cubic feet	\$2.08 per 100 cubic feet

3. Fixed Service Charge

<u>Meter Size</u>	<u>Monthly Service Charge</u>	<u>Quarterly Charge</u>
5/8 "	\$10.33	\$15.37
3/4 "	\$10.68	\$16.16
1 "	\$11.61	\$18.53
1 1/2 "	\$13.05	\$21.72
2 "	\$16.38	\$30.36
3 "	\$38.84	\$93.42
4 "	\$48.63	\$117.14
6 "	\$72.03	\$172.60
8 "	\$97.18	\$235.61
10 " and Larger	\$129.43	\$307.44

Date of Issue: July 14, 2004

Date Effective: August 16, 2004

Issued by: 
Officer & Title: Ronald J. Barrow, M.P.A.
Vice President - Finance

100 Aqua Drive, Cold Spring, KY 41076

NORTHERN KENTUCKY WATER DISTRICT

FOR NKWD Area Served
PSC No. 2
Sheet No. 11
Canceling PSC No. 2
Canceling Sheet No. 11

SECTION III – WHOLESALE WATER SALES

Bullock Pen Water District	\$2.40 per 1,000 gallons (or) \$1.80 per 100 cubic feet
City of Walton	\$2.40 per 1,000 gallons (or) \$1.80 per 100 cubic feet
Pendleton County	\$2.40 per 1,000 gallons (or) \$1.80 per 100 cubic feet

SECTION IV – MISCELLANEOUS SERVICE FEES

Service Area Non-Recurring Charges:

Returned Check Charge	\$ 20.00
Water Hauling Station	3.50 per 1,000 gallons
Reconnection Fee	25.00
Overtime Charge	40.00

Date of Issue: July 14, 2004

Date Effective: August 16, 2004

Issued by: 
Officer & Title: Ronald J. Barrow, M.P.A.
Vice President - Finance

100 Aqua Drive, Cold Spring, KY 41076